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PP RUEHCI
DE RUEHC #0031 0291204
ZNR UUUUU ZZH
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FM AMCONSUL KOLKATA
TO RUEHC/SECSTATE WASHDC
INFO RUEHNE/AMEMBASSY NEW DELHI
RUEHBI/AMCONSUL MUMBAI
RUEHCG/AMCONSUL CHENNAI
RUEHRC/DEPT OF AGRICULTURE WASHINGTON DC
RUEHRC/DEPT OF AGRICULTURE USD FAS WASHINGTON DC
RUCPDOC/DEPT OF COMMERCE WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHINGTON DC
RUEHKA/AMEMBASSY DHAKA
RUEHLM/AMEMBASSY COLOMBO
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RUEHCI/AMCONSUL KOLKATA

UNCLAS SECTION 01 OF 02 KOLKATA 000031

SIPDIS

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E.O. 12958: N/A

TAGS: ECON ETRD EAGR ECIN EINV ELAB ENRG IN
SUBJECT: DCM TALKS AGRICULTURE IN WEST BENGAL

REF: CALCUTTA 00017

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¶1. (SBU) SUMMARY: DURING HIS JANUARY 18-19 VISIT TO KOLKATA, DCM DISCUSSED FOOD-PROCESSING, FDI IN THE RETAIL SECTOR, AND LAND POLICY WITH COMMUNIST PARTY OF INDIA - MARXIST (CPM) AND GOVERNMENT OF WEST BENGAL (GOWB) LEADERS. THOUGH GOWB OFFICIALS WERE GENERALLY POSITIVE ABOUT THE STATES PROSPECTS FOR INDUSTRIALIZATION, PROBLEMS OF LAND ACQUISITION WILL REMAIN A CONTENTIOUS ISSUE FOR THE GOWB IN THE COMING YEAR. STATEMENTS BY THE DCM AND UNION MINISTER FOR FOOD PROCESSING SUBODH SAHAY, EMPHASIZING STEPS FOR GREATER INDO-U.S. COOPERATION IN THE FOOD-PROCESSING SECTOR, RECEIVED A STRONG WELCOME FROM THE BUSINESS COMMUNITY. END SUMMARY.

¶2. (SBU) ON JANUARY 18-19, DCM VISITED KOLKATA TO DELIVER A SPEECH ON USG POLICIES IN AGRICULTURE BEFORE THE INDO-AMERICAN CHAMBER OF COMMERCE (IACC), INAUGURATE A NEW BUSINESS SURVEY BY THE AMERICAN CHAMBER OF COMMERCE KOLKATA CHAPTER AT THE NATIONAL BOARD MEETING, CONDUCT A PRESS CONFERENCE ON TRAFFICKING IN PERSONS, AND TO GAUGE GOWB PROGRESS ON ECONOMIC ISSUES. THE DCM MET WITH COMMERCE AND INDUSTRIES SECRETARY SABAYSCHI SEN AND SPOKE WITH CHIEF MINISTER BHATTACHARJEE AT THE IACC SEMINAR. ON LAND ACQUISITION, PARTICULARLY AFTER OPPOSITION TO A NEW TATA CAR FACTORY IN THE RURAL SINGUR DISTRICT, SEN SAID THAT THE CPM HAD LEARNED A FEW LESSONS (REFTEL). MOST IMPORTANT WAS TO FULLY CONSIDER THE RANGE OF INDIVIDUALS WITH A VESTED INTEREST IN THE LAND, ESPECIALLY THE BARGADARS (SHARECROPPERS) WHO HAD CLOSER TIES TO THE LAND THAN THE OFTEN ABSENT LANDOWNERS. SEN SAID THAT THE GOWB MUST EXPLAIN TO THE BARGADARS THE POTENTIAL BENEFITS OF NEW PROJECTS AND PROVIDE A "FULL POLITICAL ROADMAP FOR FUTURE GAINS" THAT WOULD INCLUDE A REHABILITATION POLICY AND ALTERNATIVE LIVELIHOODS PROGRAMS FOR FARMERS. THE BARGADAR, NOT THE LANDOWNER, SHOULD ALSO RECEIVE 75% OF THE COMPENSATION FOR THE LAND IF THE BARGADAR PROVIDED THE MAJORITY OF INPUTS, SUCH AS SEED AND FERTILIZER.

¶3. (SBU) SEN PREDICTED THE LAND DEBATE IN W. BENGAL, WHICH TO HIS MIND "HAS ONLY ONE ANSWER," -- THAT OF MORE LAND FOR INDUSTRY -- WOULD CONTINUE FOR ANOTHER YEAR IN THE RUN UP TO LOCAL PANCHAYAT (VILLAGE) ELECTIONS IN MARCH 2008 WHICH WOULD SERVE AS A REFERENDUM ON CHIEF MINISTER BHATTACHARJEE'S INDUSTRIAL POLICY. THE GOWB WOULD SPEND THE NEXT 5-6 MONTHS CONSENSUS BUILDING ON LAND POLICY, AND THEN LET THE LAND ISSUE QUIET DOWN UNTIL THE ELECTIONS TOOK PLACE. CONFIDENT THAT THE CHIEF MINISTER'S VIEWS WOULD WIN THE DAY, SEN NOTED THAT BOTH

JAPANESE AND CHINESE INVESTMENT WERE COMING TO THE STATE, AND THAT COMPLETION OF THE NATIONAL HIGHWAY PROJECT IN W. BENGAL WOULD BRING FURTHER URBAN GROWTH AND POSSIBLY INTEREST BY OTHER ASEAN NATIONS SUCH AS SINGAPORE AND S. KOREA.

¶4. (SBU) SHIFTING TO THE POSSIBILITY OF WAL-MART COMING TO W. BENGAL AS PART OF THE BHARTI PARTNERSHIP, SEN STRESSED THAT NOBODY IN W. BENGAL WAS AGAINST WAL-MART PER SE. HOWEVER, SEN SUGGESTED THAT WAL-MART PIGGYBACK ON BHARTI'S ENTRY INTO THE STATE TO FACILITATE THE PROCESS. AS FAR AS THE GOWB WAS CONCERNED, IF THE GOI GAVE WAL-MART PERMISSION TO ENTER THE COUNTRY, THEN WAL-MART COULD SET UP IN W. BENGAL. (NOTE: DURING HIS VISIT, THE DCM ALSO CALLED UPON CPM POLITBURO MEMBER BIMAN BOSE AT CPM PARTY OFFICES AT ALIMUDDIN STREET. BOSE VOICED OPPOSITION TO FDI IN RETAIL, INCLUDING WAL-MART, BY ARGUING THAT THERE WERE MANY PEOPLE WORKING IN THE PRODUCER-CONSUMER CHAIN, AND THAT ENTRY BY FOREIGN RETAILERS WOULD CAUSE THE "INTERMEDIATE CHAIN" TO COLLAPSE AND HIGH UNEMPLOYMENT. DOMESTIC RETAILERS, HOWEVER, WERE ACCEPTABLE. BOSE'S COMMENTS DEMONSTRATE THE DISSONANCE THAT REMAINS WITHIN THE CPM OVER ITS VIEWS ON FDI AND PRIVATE SECTOR DEVELOPMENT. END NOTE.)

¶5. (U) ON JANUARY 19, THE DCM, UNION MINISTER FOR FOOD PROCESSING SUBODH SAHAY AND CHIEF MINISTER BHATTACHARJEE ADDRESSED THE IACC AT A SEMINAR ON "EMERGING INDO-US TRADE OPPORTUNITIES IN FOOD PROCESSING - SPECIAL FOCUS ON THE EASTERN REGION." THE DCM UNDERLINED THE IMPORTANCE OF THE AGRICULTURAL KNOWLEDGE INITIATIVE (AKI) AND SUGGESTED AREAS WHERE THE U.S. AND INDIA COULD CREATE PARTNERSHIPS IN DEVELOPING INDIA'S FOOD PROCESSING SECTOR, CITING PEPSICO'S FRITO-LAY PLANT IN W. BENGAL AS A MODEL FOR OTHERS. MINISTER SAHAY COMMENTED THAT THE BHARTI/WAL-MART AGREEMENT SHOWED THAT JOINT VENTURES COULD BE SET UP IN THE INDIAN RETAIL SECTOR. SAHAY PRAISED THE AKI INITIATIVE, AND ASKED THE CHIEF MINISTER FOR HIS COOPERATION IN ENSURING FURTHER GROWTH IN FOOD-PROCESSING. SAHAY FURTHER REQUESTED THE CHIEF MINISTER TO PAY A VISIT TO THE UNITED

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STATES, TO WHICH HE REPLIED, "WE ARE PREPARING SUCH A VISIT." SPEAKING PRIVATELY WITH THE DCM, CHIEF MINISTER BHATTACHARJEE EXPRESSED GREAT SATISFACTION WITH PEPSICO'S ROLE IN WEST BENGAL, AND THE FACT THAT THIS INVESTMENT WAS BOOSTING AGRICULTURAL DEMAND AND GENERATING LOCAL EMPLOYMENT. HE CITED THREE PRIORITIES HE WOULD LIKE TO ACCOMPLISH IN CONJUNCTION WITH TRAVEL TO THE US: BOEINGS INVESTMENT IN THE MAINTENANCE FACILITY AT KALIKUNDE, DOW'S INVESTMENT IN THE HALDIA PETRO-CHEMICAL COMPLEX, AND PROGRESS IN AN AGRICULTURAL RESEARCH PROJECT INCLUDING SCHOLARS AT UC BERKELEY. (COMMENT: THE STANDING-ROOM ONLY CROWD AT THE IACC SEMINAR RESPONDED ENTHUSIASTICALLY TO THE USG/GOI PUSH FOR PROGRESS IN FOOD PROCESSING. AFTERNOON TECHNICAL SESSIONS WITH INVESTORS, ANALYSTS, PRIVATE AND PUBLIC SECTOR REPRESENTATIVES WERE WELL-ATTENDED, AS WAS AN INDIAN CHAMBER OF COMMERCE SEMINAR ON INTEGRATED VALUE CHAIN MANAGEMENT FOR THE INDIAN FOOD PROCESSING INDUSTRY, HELD THE FOLLOWING DAY. END COMMENT.)

¶6. (SBU) COMMENT: THE COMMUNIST BASTION OF W. BENGAL IS AN EARLY LEADER IN FACING A FUNDAMENTAL ISSUE OF PROMOTING INDUSTRY AGAINST A BACKDROP OF GREAT RURAL POVERTY - A SITUATION THAT CONFRONTS INDIA IN GENERAL. THE CPM IS EXPERIENCING A SERIOUS INTERNAL CONFLICT FOLLOWING THE RECENT VIOLENCE IN SINGUR AND NANDIGRAM AND POTENTIALLY GROWING DISAFFECTION IN ITS AGRICULTURAL BASE. IN EFFECT, THE CPM-LED GOWB IS IN A RACE TO REALIZE THE BENEFITS OF ITS INDUSTRIALIZATION POLICIES BEFORE THE DISAFFECTION WITHIN THE RURAL SECTOR CREATES A BACKLASH SUFFICIENT TO BLOCK EFFORTS AT MOVING THE MANY PEOPLE OUT OF THE INEFFICIENT AGRICULTURAL SECTOR INTO MANUFACTURING AND SERVICES. AKI, PROGRESS IN FOOD PROCESSING AND EVEN POSSIBLY EXPANSION OF LARGE-SCALE RETAIL OFFER POTENTIAL SOLUTIONS TO EASING THIS ROUGH PERIOD OF ECONOMIC TRANSITION, IN CREATING GREATER EFFICIENCIES, VALUE ADDITIONS AND ECONOMIES OF SCALE. THE DCM'S EXHORTATIONS ON THESE ISSUES WERE WELL RECEIVED BY MEMBERS OF THE IACC, THE MINISTER FOR FOOD PROCESSING AND EVEN CHIEF MINISTER BHATTACHARJEE. THE QUESTION REMAINS, THOUGH, WHETHER

OLD-LINE COMMUNISTS AND OPPOSITION FIGURES WILL STALL THE GOWB'S ECONOMIC POLICIES, WHILE CLAIMING TO ADVOCATE FOR THE INTERESTS OF THE RURAL MASSES AGAINST BIG INDUSTRY.

JARDINE